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Question 1

Question Type: MultipleChoice

Company XYZ has a group of six employees who will be retiring in four years -- on the 31st of December. Each retiree will receive \$125,000. Company XYZ's accountants must make provisions in their accounts for this. Calculate the present value of future payments based on a discount rate of 10%.

Options:

A- \$512,250

B- \$551,250

C- \$515,500

D- \$521,500

Answer:

A

Question 2

Question Type: MultipleChoice

What are the changes in the present value of the defined benefits obligation that result from experience adjustments or the effects of changes in actuarial assumptions called?

Options:

- A- Net interest on the net defined benefit liability (asset)
- B- Time value of money
- C- Current service cost
- D- Actuarial gains and losses

Answer:

D

Question 3

Question Type: MultipleChoice

Which of the following describes the change in the net defined benefit liability (asset) during the period due to passage of time?

Options:

- A- Past service cost
- B- Current service cost
- C- Net interest on the net defined benefit liability (asset)
- D- Time value of money

Answer:

C

Question 4

Question Type: MultipleChoice

What is the present value of any economic benefits available in the form of refunds from or reductions in the future contributions to the defined benefits plan called?

Options:

- A- Net defined benefit liability (asset)
- B- Asset ceiling
- C- Fair value
- D- Net present value

Answer:

B

Question 5

Question Type: MultipleChoice

IAS 19 requires that all numbers involved in accounting for defined benefit plans be presented as a single amount in the statement of financial position. What is this amount called?

Options:

- A- Net defined benefit liability (asset)
- B- Asset ceiling

C- Fair value

D- Net present value

Answer:

A

Question 6

Question Type: MultipleChoice

Which of the following should be used when discounting a benefit in order to determine the present value of the defined benefit obligation and the current service cost?

Options:

A- Fair value

B- Time value of money

C- Net present value

D- The corporate vision

Answer:

C

Question 7

Question Type: MultipleChoice

To estimate how much the employees have earned for their work in the current and prior periods in order to attribute the benefit to the periods of service and to incorporate estimates about demographics and financial variables into calculations, a company must utilize what method?

Options:

- A- Re-measurement method
- B- Fair value method
- C- Net present value method
- D- Projected unit credit method

Answer:

D

Question 8

Question Type: MultipleChoice

What is the difference between the present value of defined benefit obligation and fair value of plan assets at the end of the reporting period called?

Options:

- A- The financial position
- B- The deficit or surplus
- C- The discount
- D- The present fair value

Answer:

B

Question 9

Question Type: MultipleChoice

The profit-sharing plan of Company ABC requires the company pay a specified proportion of its profit for the year to employees who serve throughout the year. If no employees leave during the year, the total profit-sharing payments for the year will be 3% of profit. The company estimates that staff turnover will reduce the payments to 2.5% of profit. What does Company ABC recognize as a liability and an expense?

Options:

- A- 0.5% of profit
- B- 2.5% of profit
- C- 3% of profit
- D- 5.5% of profit

Answer:

B

Question 10

Question Type: MultipleChoice

What is a constructive obligation?

Options:

- A-** When a company recognizes the expected cost of profit-sharing and bonus payments
- B-** When a company has no realistic alternative but to make payments
- C-** When a change in the company's informal practices would cause unacceptable damage to its relationship with employees
- D-** The required accounting entry for liabilities or accrued expenses or cash paid

Answer:

C

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